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November 1, 2018

VIA ELECTRONIC FILING

The Honorable David Butler
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

RE: Friends of the Earth and Sierra Club v. SCE&G
Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans
Docket No. 2017-370-E

Dear Mr. Butler:

Enclosed for filing on behalf of South Carolina Electric & Gas Company and Dominion Energy, Inc. ("Joint Applicants") is the Joint Applicants' Reply to the Comments of the South Carolina Coastal Conservation League and the Southern Alliance for Clean Energy.

If you have any questions, please advise.

Very truly yours,



K. Chad Burgess

KCB/kms
Enclosures

(Continued ...)

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cc: All parties of Record in Docket No. 2017-305-E
All parties of Record in Docket No. 2017-207-E
All parties of Record in Docket No. 2017-370-E
(all via electronic mail only w/enclosure)

**THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NOS. 2017-207-E, 2017-305-E, AND 2017-370-E

IN RE: Friends of the Earth and Sierra Club,)
Complainant/Petitioner vs. South)
Carolina Electric & Gas Company,)
Defendant/Respondent)

IN RE: Request of the South Carolina Office of)
Regulatory Staff for Rate Relief to)
SCE&G Rates Pursuant to S.C. Code)
Ann. § 58-27-920)

IN RE: Joint Application and Petition of South)
Carolina Electric & Gas Company and)
Dominion Energy, Incorporated for)
Review and Approval of a Proposed)
Business Combination between)
SCANA Corporation and Dominion)
Energy, Incorporated, as May Be)
Required, and for a Prudency)
Determination Regarding the)
Abandonment of the V.C. Summer)
Units 2 & 3 Project and Associated)
Customer Benefits and Cost Recovery)
Plans)

**JOINT APPLICANTS' REPLY TO
COMMENTS ON PROPOSED
SETTLEMENT AGREEMENT**

Pursuant to the Hearing Officer's October 25, 2018 Directive No. 2018-153-H, South Carolina Electric and Gas Company ("SCE&G") and Dominion Energy, Inc. ("Dominion Energy") (collectively, "Joint Applicants") submit their Joint Reply to the Comments of the South Carolina Coastal Conservation League ("CCL") and the Southern Alliance for Clean Energy ("SACE") on the proposed Settlement Agreement between the Joint Applicants and Transcontinental Gas Pipe Line Company, LLC ("Transco") ("Settlement").

REPLY

The Joint Applicants support the Settlement as a fair, reasonable, and holistic approach to resolve the issues between Transco and the Joint Applicants in this proceeding. The Joint Applicants acknowledge the Surrebuttal Testimony of South Carolina Office of Regulatory Staff (“ORS”) Witness Michael L. Seaman-Huynh stating that “ORS believes the Settlement Agreement is in the best interest of all of SCE&G’s customers, both electric and natural gas.” Only CCL and SAVE have submitted comments recommending amendments to its terms.

The Comments of CCL and SACE, as echoed by the Surrebuttal Testimony of Gregory M. Lander, reflect a desire to inject issues that are well beyond the scope of this proceeding and offer no valid justification to amend the Settlement. First, CCL’s and SACE’s claim that SCE&G’s customers may be subject to unreasonable natural gas pipeline capacity costs absent modification to the Settlement is without merit. The Commission will continue to have oversight over the reasonableness and prudence of fuel costs charged to SCE&G’s customers in future rate proceedings wherein those costs are sought for recovery, and interested parties will have a meaningful opportunity to participate and be heard.

Likewise, as Dominion Energy Witness Robert M. Blue testified, affiliate transactions for SCANA and its subsidiaries, including SCE&G, will continue to be governed by the Commission’s Order No. 92-931 and S.C. Code Ann. § 58-27-2090, which include transfer pricing protections for the benefit of customers.¹ The existing provisions governing affiliate transactions offer

¹ Order No. 92-931 requires that “[g]oods and services sold or exchanged between SCE&G and SCANA or any subsidiary of SCANA must be transferred at a reasonable rate and with conditions consistent with the existing market prices and contract conditions for similar goods/services” and that “[a]ll and any affiliate preferences are prohibited. Any business or financial transaction between regulated business entities and other subsidiaries should be conducted on an unaffiliated basis, fully auditable, reflecting all costs and should not permit any cross-subsidization.”

benefits and protections to SCE&G's customers, and no modifications are needed to the Settlement to ensure these benefits and protections will be preserved in the future.

In support of its Comments, CCL and SACE appear to take issue with the process undertaken by the Federal Energy Regulatory Commission ("FERC") concerning the Atlantic Coast Pipeline, LLC ("Atlantic"), and to complain about proceedings involving Dominion Energy's subsidiary, Virginia Electric and Power Company, before the Virginia State Corporation Commission ("VSCC"). These proceedings have no relevance to the instant matter. Notably, the Supreme Court of Virginia rejected similar claims made by the Sierra Club concerning a precedent agreement for natural gas transportation capacity entered into by Virginia Electric and Power Company's affiliate, Virginia Power Services Energy Corp. Inc. ("VPSE"), and Atlantic. In *Sierra Club v. State Corporation Commission*, the court agreed with the VSCC that:

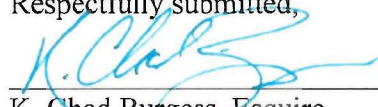
if the VPSE and ACP Agreement did result in VPSE overcharging VEPCO for fuel costs, that issue would be relevant for purposes of a future fuel factor proceeding under Code § 56-249.6. Sierra Club's claim of harm caused by the VPSE and [Atlantic] Agreement's potential impact on retail rates was not ripe for adjudication as there are other adequate remedies for the alleged harm.²

As in that case, there are other adequate remedies available to CCL and SACE to address SCE&G's fuel costs and affiliate transactions, and those matters will remain subject to the Commission's review in all future relevant proceedings. Modification of the Settlement is not necessary or appropriate.

[SIGNATURE PAGE FOLLOWS]

² *Sierra Club v. State Corp. Comm'n*, No. 171550, 2018 Va. Unpub. LEXIS 18, at *19 n.7 (Va. Aug. 9, 2018).

Respectfully submitted,



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